

**REPORT OF THE AUDIT OF THE  
WARREN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WARREN COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Warren County Clerk's audit for the year ended 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five (25%) of fees collected are deposited to the county government fund and remitted quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The financial statements of the Warren County Clerk's 75% fund reflect receipts \$ 1,640,937 and disbursements of \$1,619,537 resulting in a \$21,400 fund balance as of December 31, 2003. The 25% county government fund had receipts and disbursements of \$511,956 resulting in a zero fund balance.

For calendar year 2003, the County Clerk's fee revenues were \$22,649,980, an increase of \$1,078,301 over the previous year. Expenditures increased over the previous year by \$931,146 resulting in total expenditures of \$20,497,087. Excess fees were \$2,152,893 increasing by \$147,155 over the prior year. Excess fees were paid to the County Clerk's 75% operating and 25% county government funds maintained by the state.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael Buchanon, Warren County Judge/Executive  
The Honorable Dorothy "Dot" Owens, Warren County Clerk  
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Warren County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Michael Buchanon, County Judge/Executive  
The Honorable Dorothy "Dot" Owens, Warren County Clerk  
Members of the Warren County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Warren County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 14, 2004



WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services		\$	34,417
Fiscal Court			20,014
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,416,177	
Usage Tax		12,308,088	
Tangible Personal Property Tax		6,050,891	
Notary Fees		21,408	
Lien Release Fees		19,441	
Licenses-			
Marriage		26,462	
Occupational		4,730	
Deed Transfer Tax		440,011	
Delinquent Taxes		403,609	21,690,817
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	66,860	
Real Estate Mortgages		358,487	
Chattel Mortgages and Financing Statements		241,701	
Powers of Attorney		8,076	
All Other Recordings		160,931	
Charges for Other Services-			
Copywork		45,068	
Postage		20,087	
Candidate Filing Fees		50	901,260
Other:			
Miscellaneous			1,986
Interest Earned			1,486
Total Revenues		\$	22,649,980

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,866,154

Usage Tax 11,938,265

Tangible Personal Property Tax 2,127,791

Licenses, Taxes, and Fees-

Delinquent Tax 81,988

Legal Process Tax 93,329

Candidate Filing Fees 30 \$ 16,107,557

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 716,983

Delinquent Tax 77,307

Deed Transfer Tax 418,010

Occupational Licenses 2,959 1,215,259

Payments to Other Districts:

Tangible Personal Property Tax \$ 2,964,081

Delinquent Tax 146,188 3,110,269

Payments to Sheriff

3,223

Payments to County Attorney

59,122

Other:

Miscellaneous 1,657

Total Allowable Expenditures \$ 20,497,087

Net Revenues \$ 2,152,893

Payments to State Treasurer:

75% Operating Fund \$ 1,640,937

25% County Fund 511,956 2,152,893

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$ 0	\$ 0	\$ 0
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75% )	1,640,937		1,640,937
Fees Paid to State - County Funds (25% )		511,956	511,956
Total Funds Available	<u>\$ 1,640,937</u>	<u>\$ 511,956</u>	<u>\$ 2,152,893</u>
<u>Expenditures</u>			
Warren County Government	\$ 0	\$ 511,956	\$ 511,956
Personal Services-			
Clerk's Salary	75,137		75,137
Deputies' Salaries	892,211		892,211
Clerk's Expense Allowance	3,600		3,600
Employee Benefits-			
Employer's Share Social Security	70,700		70,700
Employer's Share Retirement	67,357		67,357
Employer's Paid Health Insurance	110,063		110,063
Employer's Paid Dental Insurance	6,017		6,017
Employer's Paid Life Insurance	1,329		1,329
Other Payroll Expense	2,331		2,331
Contracted Services:			
Computer Leases:			
Hardware Rental & Maintenance	190,844		190,844
Software License & Service	23,088		23,088
Copier Rental & Maintenance	25,600		25,600
Office Supplies	32,737		32,737
Postage	27,100		27,100
Other Office Expense	22,053		22,053
Office Furnishings	19,614		19,614
Prepare Tax Bills	10,845		10,845

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Insurance and Bonds	\$ 9,793		\$ 9,793
Telephone	9,545		9,545
Recording Books/Binders	7,264		7,264
Clerk's Dues and Conventions	3,907		3,907
Travel Expenses	3,838		3,838
Maintenance	1,815		1,815
Books and Guides	1,274		1,274
Miscellaneous	1,475		1,475
Total Expenditures	<u>\$ 1,619,537</u>	<u>\$ 511,956</u>	<u>\$ 2,131,493</u>
Fund Balance - December 31, 2003	<u>\$ 21,400</u>	<u>\$ 0</u>	<u>\$ 21,400</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003  
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

WARREN COUNTY  
DOROTHY "DOT" OWENS, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003  
(Continued)

Note 4. Leases

On June 15, 2003, the Clerk entered into two 60-month lease agreements with Software Management, Inc (SMI) for the lease and maintenance of computer hardware, software, and the licensing and updating of the software. The lease agreements require a monthly lease payment of \$20,804 (\$15,855 for hardware and \$4,949 for the software) for a total lease obligation over five years of \$1,248,240. The following table denotes the Clerk's lease obligation for the next five years.

Calendar Year	Annual Payments	Remaining Lease Obligation
2004	\$ 249,648	\$ 873,768
2005	249,648	624,120
2006	249,648	374,472
2007	249,648	124,824
2008	124,824	0
Total	<u>\$ 1,123,416</u>	<u>\$ 0</u>

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael Buchanon, Warren County Judge/Executive  
The Honorable Dorothy "Dot" Owens, Warren County Clerk  
Members of the Warren County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Warren County Clerk for the year ended December 31, 2003, and have issued our report thereon dated September 14, 2004. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Warren County Clerk's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 14, 2004

